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INFO RUEHAD/AMEMBASSY ABU DHABI PRIORITY 3400
RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE
RUEHDE/AMCONSUL DUBAI 9605

C O N F I D E N T I A L DUBAI 000041

SIPDIS

DEPARTMENT FOR NEA/FO; NEA/ARP FOR BMASILKO

E.O. 12958: DECL: 1/29/2019
TAGS: [EFIN](#) [EAIR](#) [ECON](#) [PGOV](#) [AE](#)
SUBJECT: EMIRATES AIRLINE AND DNATA TRANSFER TO INVESTMENT
CORPORATION OF DUBAI

CLASSIFIED BY: Jennifer Gavito, Acting Consul General, Consulate
General Dubai, UAE.

REASON: 1.4 (b), (d)

¶1. (C) On January 20, poloff met with Faisal Mikou, Executive Vice President of Mergers and Acquisitions at the Investment Corporation of Dubai (ICD), to discuss recent media coverage of the transfer of Dubai-based Emirates Airlines and air travel services firm Dnata to ICD. Mikou was puzzled by the press attention, noting the decision to transfer occurred last year. He did not, however, provide a direct answer as to why the transfer took place. He explained that once the transfer was complete, ICD could sell off percentages of Emirates and Dnata, but only under appropriate market conditions. An Emirates representative confirmed this in a subsequent conversation. Mikou and the Emirates representative stressed that there was no urgency to do so at the moment and that it is "business as usual" for Emirates Airlines and Dnata.

¶2. (U) Vice President and Prime Minister of the UAE and Ruler of Dubai Sheikh Mohammed bin Rashid al-Maktoum (MbR) established the ICD as the investment arm of the Dubai Government in May 2006 with the transfer of the Government's investment portfolio from the Department of Finance's Investment Division. ICD's role is to supervise the government's investment portfolio. MbR chairs ICD and board members can not be shareholders of any of the ICD companies. ICD's portfolio includes approximately 70 - 80 percent of Dubai government-owned companies.

¶3. (U) On December 30, 2008, Emirates Group -- which includes Emirates airline and Dnata -- confirmed its transfer of ownership to ICD per a decree issued by MbR, but no reason was given for the move. Emirates and Dnata will continue to be wholly-owned by the government, yet indirectly by ICD. ICD is now completing the process of transferring as many other of the Emirates Group companies as the legal framework allows (only those companies that are purely commercial and without regulatory responsibility can be transferred to ICD).

¶4. (C) Comment: The conspicuous absence of an explanation for the transfer of one of Dubai's key assets has sparked speculation about the motivation for the move. One early theory was that ICD's ownership of Emirates Group could mask the future transfer of a percentage of the company to Abu Dhabi as payment for a bailout of Dubai. A more likely possibility is that the transfer allows the Al Maktoum family to comply with the letter of the recent federal law restricting the business activities of government officials without, in practice, losing control of Emirates Group. End Comment.

GAVITO